

Investment Option Election Information

Investment Options

RSA-1 is an eligible deferred compensation plan as defined by Section 457 of the Internal Revenue Code of the United States. RSA-1 offers two investment options – a *fixed* investment option and a *stock* investment option. The funds in both the RSA-1 fixed and stock investment option are not self-directed; rather they are invested as a pool. The RSA-1 fixed portfolio is invested in fixed income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper. The RSA-1 stock portfolio is invested in an S&P 500 Index Fund.

Stocks and bonds generally behave differently in regards to risk and reward. When choosing between the stock and bond option, you should strive for an optimal blend of risk and reward – based on your age, years until retirement, and tolerance for risk. For example, members approaching retirement might consider allocating more of their assets to bonds than to stocks because bonds tend to have a more predictable income stream than stocks. Depending upon the type, bonds may offer a level of security that stocks do not. The trade-off is that bonds generally provide more modest rates of return over the long term than stocks.

Historically, stocks have provided the highest returns over time, but stock prices fluctuate—sometimes dramatically. Most financial experts say that the younger you are, the more you should emphasize stocks. The longer your investment horizon, the more time you have to ride out the inevitable ups and downs in the stock market. In fact, over periods of 20 years or more, stocks have historically provided positive returns.

Investment Option Election

You choose a stock investment option, a fixed income investment option, or a combination through the INVESTMENT OPTION ELECTION FORM.

- Your election is considered ***eligible*** if the following conditions are met:
 - the election is made **365 days** after the effective date of your last election,
 - AND**
 - your INVESTMENT OPTION ELECTION FORM is postmarked or delivered ***at least 30 days prior*** to the effective date of the election. **Elections are effective on the first day of each month.** For example, if your election is to be effective March 1, your election must be made by February 1.
- Your election will *remain in effect for a minimum of 365 days* after the election.
- Your election will *remain in effect until subsequently revoked by a subsequent eligible election*. You may stop deferrals at any time; however, the latest election received will remain in effect if you later resume deferrals prior to another eligible election.
- Your election can apply to:
 - **The balance of your account**
Your entire balance, a percentage, or a certain dollar amount of the balance in your RSA-1 account can be transferred between the RSA-1 *stock* investment option and the RSA-1 *fixed* investment option.
 - **The amount deferred on or after the effective date of this election (New deferrals)**
You may wish to invest *all* of your new deferrals in either the RSA-1 *fixed* investment option or the RSA-1 *stock* investment option. You may wish to *split* your deferrals between the RSA-1

stock investment option and the RSA-1 *fixed* investment option. In other words, you may invest a chosen *percentage* of new deferrals in the RSA-1 *fixed* investment option ***with the remaining percentage*** invested in the stock investment option, or you may invest a chosen *percentage* of new deferrals in the RSA-1 *stock* investment option ***with the remaining percentage*** invested in the fixed investment option.

- If you *do not* wish to change your investment election, you are *not* required to submit an INVESTMENT OPTION ELECTION FORM. You may decide to change your investment election any time 365 days after the effective date of your last election.
- Your INVESTMENT OPTION ELECTION FORM must be postmarked or delivered to the RSA-1 office 30 days prior to the effective date of the election to allow adequate time to process your election. Until a new investment election is received, the following default provisions will apply:
 - Your account balance will remain invested in the investment option in which it is currently invested.
 - New deferrals will continue to be invested in the investment option in which they are currently invested.
 - New deferrals of members who have *never* made an investment option election will be invested in the RSA-1 *fixed* investment option.
 - Deferrals of *new* members will be invested in the RSA-1 *fixed* investment option until an “Investment Option Election Form” is received.

Contact RSA-1

Our RSA-1 staff can further explain these options to you; however, *they cannot advise you regarding which particular option to elect*. If you are restructuring your investment portfolio to accommodate this election, you may wish to consult your financial advisor regarding your election. Due to market fluctuations during the year, the allocation percentage between the fixed income investment option and the stock investment option will fluctuate from your initial election percentage. Because of this, you may wish to change your election each 365 days if you wish to maintain a specific percentage allocation between the fixed income and stock investment options.

If you should have further questions, please contact our RSA-1 Division at (334) 517-7000 or 1-877-517-0020.